UNITED STATES DEPARTMENT OF AGRICULTURE
WAR FOOD ADMINISTRATION
Office of Distribution
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THE GENERAL INCREASES IN AGRICULTURAL FREIGHT RATES IN EX PARTE 148, SUSPENDED BY ORDERS OF THE INTERSTATE COMMERCE COMMISSION, SHOULD BE PERMANENTLY CANCELLED.

Statement of Ralph L. Dewey, Principal Transportation Economist, Office of Distribution, At the Further Hearing of the Interstate Commerce Commission on Ex Parte 148, Increased Railway Rates, Fares, and Charges, 1942, Washington, D. C. October ____, 1944.

On behalf of the Secretary of Agriculture and the War Food Administrator, I appear in this proceeding to state their position that appropriate action be taken to permanently cancel the freight rate increases authorized by the Commission on March 2, 1942 in Ex Parte 148. These increases have been suspended continously since May 15, 1943 by order of the Commission, dated April 6, 1943, and by subsequent orders.

The Secretary of Agriculture and the War Food Administrator are parties to the original proceeding and to subsequent proceedings in Ex Parte 148, and their interest in the case has been made known to the Commission.

Whenever I speak of "agricultural commodities," I mean all agricultural crops, all livestock and livestock products, all tree nuts, all canned and processed foods, and commodities otherwise contemplated by Executive Order 9280 (Section 10) which order impowers the War Food Administrator to control the distribution of food during the war emergency.

In the original proceeding, held in St. Louis, Missouri, in January 1942, the Secretary of Agriculture opposed the proposed general 10-percent increase in freight rates for two reasons: First, a general increase of 10 percent in rates was not necessary to recompense the carriers for the then recently increased operating costs attributable to wage increases granted to railroad labor in December 1941 and other anticipated increases in operating costs arising from the war emergency, because the Secretary expected that a large increase in railroad traffic and revenue would result from the war program and improved business conditions; and Second, if some increases in freight rates were found to be necessary by the Commission, such increases should not apply to agricultural commodities, or at least the rates on agricultural commodities should be increased less than the rates on other commodities, because of the necessity of securing a greatly expanded production of food and fiber to meet war needs without inflating consumer prices or depressing farm prices. In subsequent proceedings the Department has consistently maintained this position; the Secretary of Agriculture and the War Food Administrator hold the same position in the current proceeding.

In their petition for a 10 percent increase in rates back in 1941 the railroads based their argument upon the premise that substantial increases in wages had been granted to the railroad workers which, together with the other increases in operating costs incident to the war, had created a need for additional revenues in the amount of approximately $300,000,000 a year. The Commission found that an emergency did exist and authorized the railroads to increase their rates by 3 percent on agricultural products and 6 percent on most other products for the duration of the war, such increases to expire six months after the end of the war on all fronts unless modified or terminated earlier in further proceedings. The emergency did not in fact materialize and the increase in rail traffic and earnings during 1942 exceeded the amounts expected by the Department. In the 1943 proceeding, it was more than adequately developed on the record, including testimony by the Department's witness, that rail revenues had increased more than enough to cover the increased operating expenses, thus putting rail net earnings at the highest level in a number of years. This fact evidently impressed the Commission sufficiently to cause it to suspend the increases in the Spring of 1943.

The financial results of railroad operation have continued to be extraordinarily favorable from that time to date, notwithstanding the fact that the rate increases have been suspended during this period. Pertinent items in the income statement of the railroads during the war years are set forth for Class I carriers in our Exhibit No. _____, table 1.

Railroad net earnings may be measured in various ways, among which the following are most commonly employed: (1) Net income after deducting all operating expenses, operating rents, taxes, and fixed charges from gross operating revenues and other income; (2) Net railway Operating income, after deducting all operating expenses, operating rents, and taxes from gross operating revenues; and (3) Net railway operating income, as determined before Federal corporation income and excess profit taxes.

Net Income. - In consequence of the great upsurge of business and the cooperative efforts on the part of shippers, carriers, and Government to promote the efficiency of operation, rail net income rose from $188,000,000 in 1940 to $500,000,000 in 1941, and $902,000,000 in 1942. Net income was $873,000,000 in 1943, and is estimated to be $681,000,000 in 1944. This is an average of $819,000,000 for the three war years, 1942-1944 inclusive, which yields an average return of about 10.3 percent on the $7,918,000,000 capital stock of the railroads, including the insolvent lines. This is a remarkable earnings' record, as it makes available for the stockholders a very high rate of return on their holdings. Railroad net income for the years 1942-1944 inclusive, is on the average not a great deal less than the $897,000,000 earned in 1929 which was the highest on record until 1942.

Net Railway Operating Income. The increase of railroad net earnings during the war is shown even more strikingly by the statistics of net railway operating income. Starting at $682,000,000 in 1940, net railway operating income rose to $998,000,000 in 1941, and $1,485,000,000 in 1942. Such income was $1,360,000,000 in 1943, and

is estimated to be $1,163,000,000 in 1944. This gives an average income of $1,336,000,000 for the years 1942-1944 inclusive, which exceeds by $84,000,000 the $1,252,000,000 earned in 1929, a high record year prior to 1942.

Net Railway Operating Income before Federal Corporation Income and Excess Profits Taxes. - The first two methods employed above deduct Federal income and excess profit taxes before computing net earnings. The Secretary of Agriculture and the War Food Administrator are of the opinion that, in a general rate increase case, the amount of rail earnings should be determined before rather than after Federal income and excess profits taxes. In any case it seems to them basically unreasonable that the general public should be called upon to bear the burden of the increased Federal taxes placed upon railroad net income because of the war needs in addition to the increased personal income and other taxes which it, the public, must pay.

Employing the third method here recommended, the increase of rail net earnings during the war has been truly phenomenal. Beginning with $741,000,000 in 1940, earnings rose to $1,169,000,000 in 1941, to $2,240,000,000 in 1942, and to $2,695,000,000 in 1943. It is expected that they will amount to as much as $2,568,000,000 in 1944. The average earnings for the three years 1942-1944, inclusive, are $2,501,000,000 or more than three times the earnings in 1940, and more than double those in 1941. It is not possible to compare net earnings on the basis employed in this paragraph with those in 1929, as the railroads were not required to report their Federal income taxes separately from other taxes to the Commission until 1934. However, rail income in 1942-1944 greatly exceeded earnings in 1929 before allowing for taxes and it is

a certainty that if it were possible to make a comparison after deducting Federal income taxes for both periods, the earnings during the war years would be far above those in 1929.

It can be generally agreed that rail net income will probably be somewhat lower in 1944 than in 1942 or 1943, after deducting all operating expenses, operating rents, taxes, and fixed charges. The anticipated drop, however, is not primarily due to the removal of the rate increases in May 1943, as the gross revenues' curve has risen without interruption since 1940. Gross revenues will probably amount to at least $9,500,000,000 in 1944 as compared with $4,297,000,000 in 1940, $5,347,000,000 in 1941, $7,466,000,000 in 1942, and $9,055,000,000 in 1943. Gross revenues in 1944 will be more than double those in 1940, and nearly 50 percent higher than the $6,278,000,000 in 1929.

The lower net income for 1944 than for 1942 and previous years is due to the greatly increased Federal income and excess profit taxes collected because of war needs and the rising operating costs also growing out of war conditions. Yet even though net income is now somewhat lower than at the peak reached in 1942, it is still very high and compares favorably with the best previous periods in railroad history.

It is clear, therefore, that however rail earnings are figured, whether before or after taxes, or before or after fixed charges, there is no escape from the conclusion that there is no more need for the emergency 3 and 6 percent rate increases today than there was when the increases were originally suspended by the Commission in the Spring of 1943.

So much for the war record of railroad net earnings to the end of 1944. What are the prospects for the remainder of the war and six months thereafter? As previous witnesses have testified, there is reason to believe that the favorable earnings position of the carriers will continue to exist at least until the end of the period in question. As for the volume of mineral and industrial production for military, Lend-Lease, and civilian needs, there can be little doubt that the railroads will continue to receive large tonnage and revenues from these sources. It is expected, that after the war, a record production of durable consumers' and producers' goods will be forthcoming because of the backlog of wartime shortages backed up by a great accumulation of unsatisfied purchasing power in the hands of buyers.

As for agricultural production and traffic, there is every reason to believe that a high level of output will be maintained at least for the duration and six months thereafter, which encompasses the period of the Ex Parte 148 rate increases. In previous appearances in this case the Department has expressed the view that agricultural production would be substantially increased from year to year in order to meet the war needs of the country. That these have not been idle statements, is attested by the high and rising volume of agricultural production and marketing for each year since the war began. (See Exhibit No. _____, tables 2, 3, and 4.) The Department of Agriculture and the War Food Administration have conducted a vigorous program to achieve agricultural goals which were designed to increase the production of the most essential crops and of livestock and livestock products. The lion's share of the credit for the great outpouring of

agricultural production goes of course to the farmers, their families and their employees who, under great difficulties, have contributed the hard work, resourcefulness, and long hours necessary to make this production possible. In these cooperative efforts, it is not to be overlooked that an assist goes to the good weather that has generally prevailed, especially during the growing season of 1942. Along with increasing acreage, the trend of yields per acre ha s been upward during the war, and is likely to continue high after the war.

An all-time high harvest for 1944 is now definitely in sight according to a report of the Crop Reporting Board of the Department of Agriculture issued on October 10, 1944. (Exhibit No. ____, table 5, and Exhibit No. _____.) The Board called this production record "remarkable" considering the farm labor and equipment shortages and certain weather difficulties. Crops, yielding a higher production per acre than in any previous year except 1942, are being harvested from an acreage greater than that of any year since 1932, and only 2 percent below the predrought peak, the Board said. "In the country as a whole", the Board reported, "crop yields per acre harvested will probably be above the 1923-32 or predrought average by 30 percent, compared with 24 percent above this average last year, and 36 percent above in 1942." The largest corn crop ever produced in this country, a harvest of 3,200,000,000 bushels, which is 65,000,000 bushels over the previous mark set in 1942, is the prospect for 1944, the Board said. This year's estimated wheat crop of 1,109,000,000 bushels is the largest ever recorded despite losses of spring wheat from excessive moisture. Bumper crops of grain sorghums, fruits, commercial vegetables, peanuts,

and tree nuts were predicted, while the tobacco production set at 1,805,000,000 pounds in 1944 will closely approach the high record made back in 1939.

Hay, beans, peas, soy beans, flax seed, white potatoes and sweet potatoes will probably be at levels not often reached in the prewar years, but they will be below the yields in some recent years, the Board forecast. With a reduction in acreage offsetting a high yield, cotton production will be about average. The Board said that the only important field crops that will be materially below average in production are rye and sugar beets.

This bountiful harvest has already made available to the railroads an all-time record volume of agricultural freight revenues. (See Exhibit No. _____, tables 6 and 7). It will continue to do so for the greater part of 1945 when a large proportion of this year's production will be moving to market in both natural and processed form. Weather permitting, the prospects are that the railroads can expect to enjoy a heavy volume of agricultural traffic throughout 1945, whether or not the war terminates in Europe or the Pacific or both in the meantime.

The reasons for expressing such views as to the future course of agricultural production and traffic throughout 1945 at least are as follows. First, as already indicated, the full traffic effects of the great harvest this year will be felt in 1945. Second, the production goals for 1945 already released for wheat, rye, and dried peas, call for an increase in acreage over that planted in 1944 of 1,829,000 acres, or a change in the total from 69,776,000 acres in 1944 to 71,605,000 acres in 1945. The over-all goals' program for

1945 has not yet been released, but there is little likelihood of any important over-all reduction in acreage for 1945 as compared with than in 1944. There are no acreage restriction regulations or orders now in effect in this country, and no programs of acreage restriction is contemplated at this time. Third, the price support program enacted into law by Congress guarantees that farmers will receive prices at least 90 percent of parity on "basic" and "proclamation" commodities for two years after the end of the war. This program will undoubtedly stimulate a high level of production during that period. Fourth, elimination of food rationing, which is expected to take place soon after the armistice, if not before, will increase domestic sales of farm products. Finally, the farmers may be expected to carry on their established policy of securing maximum agricultural production during the war, with the active support of Government agencies and farm organizations.

Some may feel that the views just expressed are too optimistic and that the volume of rail agricultural traffic will decline substantially once the war is over. It may be conceded that as soon as they are in a position to do so, foreign countries will undoubtedly devote a great deal of effort to restoring their own agriculture in order to diminish as far as possible their dependence upon the United States and other exporting countries for a portion of their food supply. Yet, it may be doubted whether our relief program for the feeding of unfortunate people will be abandoned until the emergency has passed, and it is unlikely that the emergency will be over for the duration and six months thereafter. Also, current efforts on the part of many people to promote a higher standard of nutrition for our own increasing

population will not only continue, but undoubtedly be intensified in the early postwar period, and this will stimulate domestic outlets for farm products. Fears have been expressed in some quarters that even if the level of agricultural production remains high for sometime to come, the railroads will cease to receive their war-time proportion of the total because of the return to service of the water and motor carriers. It is believed that these fears are entirely unjustified insofar as the war emergency and the immediate postwar period are concerned. Because of the war demands for overseas' shipping and the shortages of gasoline, tires, and truck equipment, the chances are slight that railway traffic will soon decline through the restoration of truck and water competition.

In short, if high levels of industrial production are maintained during the war and early postwar period, as many responsible leaders in Government and industry expect, and agricultural production goes forward as all signs now indicate, the tonnage and especially the ton-miles available for the railways and the revenues to be derived therefrom will be very great. Accordingly, it is reasonable to assume that the earnings' position of the railroads taken as a whole will be bright not only for the remainder of 1944, but for sometime thereafter.

I should like to emphasize a point which has been featured in previous statements of Depa rtmental policy with respect to the cost of living during the war, and tie it into the proposal of the railroads to increase agricultural freight rates. It is a settled policy of our Government not to raise the cost of living any more than is absolutely necessary. The Secretary of Agriculture and the War Food Administrator are in thorough accord with this policy and

have kept the interests of the consumer as well as those of the farmer constantly in mind. A rise in food prices would be most unfortunate as foods represent the most necessary items in the cost of living of the consumers. Families with low or moderate incomes feel the pressure of rising food costs immediately, not only because their incomes are not large, but also because such families spend a relatively large part of their total income on food. Rising food prices would, therefore, result in strong pressure for a corresponding rise in wages, and this sequence of events would set in motion the dreaded inflationary spiral which would be most difficult to control and which, if not controlled, would spell disaster for farmers, railroad employees and investors, and indeed for all segments of the public.

Agricultural freight rates exert a pervasive influence on food prices because all foods consumed off the farms have to be transported to market. Therefore, an increase in agricultural freight rates has the effect of at once increasing the cost of living for everyone. It also has the effect of widening the price margins between consumers and farmers, and where the market cannot quickly absorb the higher freight rates in terms either of higher retail prices or lower profits to middlemen and processors, the farmers bear the burden of the higher rates in the form of lower farm prices.

In addition to the injury thereby caused the public in general and the farmers in particular, difficulty is created by the proposal to raise most non-agricultural freight rates by 6 percent. If approved, the proposal would have the effect of raising the prices of processed and manufactured agricultural products such as cotton

and woolen goods, canned goods, processed meat products and the like, and this would pyramid the cost of living still further, with farmers themselves being affected as consumers of processed commodities purchased at retail.

Moreover, the higher freight rates on farm implements, farm supplies, fertilizers, and the numerous goods purchased by the farmers for production would increase their costs of doing business. The higher costs of carrying on farm production would make it more difficult to retain or maintain parity farm prices. In such a situation there is the very real danger of starting a vicious spiral of inflation.

It may be urged that freight rates on farm products represent only a small fraction of the retail dollar for food and other agricultural commodities and that, therefore, an increase in freight rates is a matter of small concern to the public or to farmers. This argument has already received a partial answer, but a few more observations may profitably be made. The annual rail freight bill on agricultural products and on livestock and livestock products amounts to well over $1,000,000,000 per annum, (Exhibit No. ___, table No. 7). On articles of low density shipped for long distances, such as many fresh fruits and vegetables, the freight charges absorb a very considerable percentage of the consumers' dollar. For such traffic, a horizontal percentage rate increase, such as is here proposed by the railroads would bear heavily upon the product and come out of the pockets either of the consumers, or the farmers, or both. Even for articles whose freight charges are a relatively small fraction of the retail price such as cotton, wool, tobacco, etc., it is

important to note that the rates enter the marketing process as costs to entrepreneurs all along the line from raw product through semi-finished goods to the finished products ready for the ultimate consumer. The bill for distribution is made up of dozens and hundreds of small charges which collectively represent a large fraction of the consumers' dollar.

In my opinion, we need to hold the line against inflation all along the front; this is no time to be raising the charges for transportation or any other element in the marketing process unless absolutely necessary to keep our system functioning. We should keep these charges on farm products at an absolute minimum, consistent with fair and equitable treatment of the individuals and concerns which render the necessary services. The Secretary of Agriculture and the War Food Administrator believe that the restoration of the now suspended rate increases is not necessary to accord fair treatment to the railroad Also such higher rates would place obstacles in the way of carrying out the war food program, and this would disturb our efforts to assist the public as well as the agricultural community.

It has been the practice of the railroads in horizontal rate increase cases to allege a need for higher rates partly on the ground that many of the carriers were in the hands of receivers or trustees, or that the earnings of the weaker carriers were at a low or declining level. This contention ignores the fact that the strong railroads also share in the higher earnings resulting from general rate increases, whether or not they are in need of the additional revenues. It is a simple fact that many of the largest and most important railroads have achieved a very satisfactory degree of prosperity at current levels

of freight rates. It is also a simple fact that prosperous railroads are often found side by side with weak railroads in the same territory competing for traffic at rates which are identical for similar hauls.

All will agree that railroads which have escaped receivership or trusteeship during the great depression of the 1930's may properly be designated as prosperous railroads. The reports of the Class I railroads to the Interstate Commerce Commission indicate that many important carriers can qualify on the basis of this definition of prosperity, including among others, the Pennsylvania, New York Central, Chesapeake and Ohio, Norfolk and Western, Atlantic Coast Line, Southern, Union Pacific, Santa Fe, Burlington, Northern Pacific, and Great Northern railroads. These and other strong railroads may be placed in juxtaposition with a lengthy list of large insolvent railroads which either entered that state during the depression or, having failed prior to 1930, were unable to recover their economic health thereafter.

Income statements are shown separately for solvent and insolvent Class I railroads in 1940, 1941, 1942, 1943, and the first seven months of 1944 in Exhibit No. ____, table 8. The table reveals that both groups of carriers have obtained spectacular increases in net earnings during the war. The income available for fixed charges after all taxes, for instance in 1943, was 2.64 times the fixed charges for solvent carriers, and 2.27 times the fixed charges for railroads in trusteeship or receivership. The comparable ratios in 1940 were 1.65 for solvent and 0.65 for insolvent railroads. The income available for fixed charges before Federal income taxes in 1943 was 5.24 times fixed charges for the prosperous carriers and 3.46 times fixed charges for the railroads in receivership or trusteeship. (See also Exhibit No. ____, table 9). The table also shows that the solvent lines

received 80.8 percent of the total gross operating revenues of both solvent and insolvent carriers in 1943. Accordingly, a horizontal percentage increase in rates would permit the prosperous roads to obtain approximately 80 percent of the added revenues created thereby.

The remarkable recovery of the financially weak railroads is shown in some detail in Exhibit No. ____, table 10. The net railway operating income after all taxes of the railroads in receivership or trusteeship was $338,000,000 in 1943. This yielded a return of 7.1 percent on their investment of $4,771,000,000, as of December 31, 1943. During the same year, the railroads not in receivership or trusteeship received net railway operating income of $1,022,000,000, or 6.4 percent on their total investment of $16,017,000,000. The net railway operating income before Federal income taxes yielded returns on investment as follows: 10.9 percent for the insolvent railroads; and 13.6 percent for the solvent carriers. The railroads in receivership or trusteeship in 1943 had a net income after all operating expenses, operating rents, taxes, and fixed charges of $187,000,000, which was 11.5 percent on their capital stock of $1,623,000,000. The other railroads earned $686,000,000 of net income, or 10.9 percent on their capital stock of $6,296,000,000. On any basis of figuring net earnings, therefore, the financial record of the insolvent railroads compares favorably with that of the solvent carriers, and gives them a degree of prosperity which they have never known before.

Railroads may be financially weak for a variety of reasons. Some may be burdened with heavy debts and fixed charges; others may be plagued by light traffic density; a number may face operating difficulties because of mountainous terrain. Some railroads are week in

peace or in war, and in boom times as well as in depression. With this diversity of conditions, no general panacea for the rehabilitation of weak railroads will serve. In lieu of general rate increases, if any railroads feel that they need special treatment, there are other ways, including readjustment of rate divisions, reductions in fixed charges, and special adjustments in rates. Much can undoubtedly be done along these lines without imperiling the strong railroads.

Emphasis in this presentation ha s been placed upon the great prosperity which the railroads have enjoyed on account of the favorable traffic conditions created by the war emergency. Not content with this unprecedented good fortune, they have endeavored to take advantage of the competitive weakness of the truck and water carriers by cancelling some of their so-called depressed or temporary rates, thus restoring the normal rates. This policy has been justified by at least one railroad spokesman on the ground that if the railroads cannot obtain additional revenues from a general increase in rates such as Ex Parte 148, they will have to seek increases in specific adjustments which were originally established to meet truck or water competition. (Statement of Witness Doss, Vice President of the Atlantic Coast Line Railroad, in _Citrus Fruit, Florida to the Southeast_, I. and S. No. 5223.) In some important cases involving agricultural products, they have succeeded in eliminating the low competitive rates despite the efforts of shippers and the Department of Agriculture to forestall such action in cases brought before the Commission. Examples are I. and S. No. 5237, _Potatoes, Eastern Points to the South_; I. and S. No. 5238, _Apples, Trans-Continental, Eastbound_; and I. and S. No. 5187, _Dried Vegetables, Pacific Coast to Gulf Ports_. These cases have

all been decided since the outbreak of the war. The point is that the railroads have derived revenue advantages from the war, through the lessening of truck and water competition, even though the general level of rates is no higher today than it was before Pearl Harbor.

The railroads contend that the presence of the land grant rates on Government military goods, i.e., lower rates than the commercial rates, has proved burdensome to them because of the large movement of Government traffic during the war. The line of argument seems to rest upon the assumption that the railroads are obligated to carry this tonnage below the direct or out-of-pocket costs of rendering the service. This contention seems to me to be untenable because a great deal of the land grant traffic moves on relatively high rates, which have been designed to yield a substantial margin of profit over and above the costs of transporting the goods. Proof that the railroads regard the land grant traffic in a favorable light, even in a war emergency when their capacity is strained to the limit, is shown by the fact that they have progressively liberalized their equalization agreements during the war years. These equalization agreements are voluntary and can be abrogated on any anniversary by the railroad or railroads concerned simply by giving 60 days' notice of such intention. So far as my knowledge goes, not a single equalization agreement has been cancelled from Pearl Harbor to date. It is reasonable to conclude, therefore, that far from incurring "losses" on land grant traffic, the railroads are eager to obtain the lucrative business.

Once the war is over, the volume of land grant traffic will decline substantially, but the rail revenues will not fall in proportion for the reason that upon reconversion of the war industries to peace time pro-

duction, that portion of the traffic will pay the full commercial rates. This will be so on all traffic if the so-called "Boren Bill" is enacted.

At a time when the railways have been the beneficiaries of the favorable earnings' situation described above, shippers of farm products in common with shippers of other products have had to cope with various transportation difficulties incident to war-time operation. The agricultural community, the Department of Agriculture, and the War Food Administration have cooperated with the Association of American Railroads, the Interstate Commerce Commission, and the Office of Defense Transportation, in securing better utilization of rolling stock and equipment. In compliance with O.D.T. General Order No. 18, cars have been loaded more heavily. Shippers of farm products have also done their part in loading and unloading cars as expeditiously as possible in order to conserve in the use of heavily burdened facilities. The reconsignment privilege used extensively in the routing and marketing of perishables has been curtailed. While the benefits of these restrictive measures have accrued largely to the railroads, the shippers have been willing to accept the situation because of the need for putting up with difficulties in war time. Demurrage charges have been raised materially during the war. On box cars, for instance, demurrage rates rise from $2.20 on the first day after the expiration of the free time, to $16.50 per car per day if the car is held more than four days thereafter. Train schedules have been modified in such a way as to create uncertainty in some cases as to the arrival of shipments at market. These inevitable conditions have placed additional difficulty and expense in the way of the satisfactory handling of agricultural shipments. While we are not here to complain about the situation. we observe that the farm community

has had to get along with inferior service during the war, often at additional cost to the shipper.

On the basis of the evidence presented, including the carriers' earnings during the war and especially since the authorized increases in rates were suspended in 1943, the prospects for continued large rail traffic and earnings from an unprecedented volume of agricultural and industrial production at least for the duration of the war and six months thereafter, and the inferior service often causing shippers of farm products difficulties and added expense, the conclusion is inescapable that the suspension of the emergency rate increases should be made permanent. There are better ways than horizontal percentage rate increases to care for the needs of weak railroads.